PATENT

AF

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

APPELLANTS:	LIKOUREZOS et al.	GROUP ART UNIT: 3692	
SERIAL NO.:	09/764,618	FILED:	January 17, 2001
EXAMINER:	Clement B. Graham	Atty. Docket No. 1002	

FOR: **SYSTEM AND METHOD FOR EFFECTING PAYMENT FOR AN ELECTRONIC COMMERCE TRANSACTION**

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

APPELLANTS' REQUEST FOR REHEARING UNDER 37 CFR SECTION 41.52

Sir:

Pursuant to 37 CFR Section 41.52, please enter and consider the following Request for Rehearing in response to the Decision of Appeal mailed on August 22, 2007. 37 CFR Section 41.52 sets a statutory period of two months from the date of the original decision to file a Request for Rehearing. Accordingly, this Request is timely filed upon mailing with an executed Certificate of Mailing on or before October 22, 2007.

Appellants set forth below arguments in support of their Request for Rehearing which state with particularity the points believed to have been misapprehended or overlooked by the Board of Appeals as statutorily required to be shown in a Request for Rehearing as set forth by 37 CFR Section 41.52.

CERTIFICATE OF MAILING UNDER 37 C.F.R. §1.8(a)

I hereby certify that this Request for Rehearing and any document referred to as enclosed herein is being deposited with the United States Postal Service as first class mail, postpaid in an envelope, addressed to Mail Stop Appeal Brief – Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

Dated: 10/22/07

George Likourezos
(Name of Person Mailing Envelope)

(Signature of Person Mailing Envelope)

I. Summary

It is Appellants' contention in this Request for Rehearing that the Board erred in construing the terms "account" and "funds" and for misapprehending the prior art references. First, the Board erred in construing the meaning of the terms "account" and "funds", as relating to Appellants' independent Claims 1, 14, 21, 24, 28 and 30 and throughout the specification, ***without consulting the intrinsic record for Appellants' lexicographically defined definitions.***

Second, the Board erred by choosing to rely on external definitions without ensuring that the definitions chosen are most consistent with the Appellants' use of the terms. The Federal Circuit's rulings have consistently stated that the intrinsic record must first be consulted to attempt to construe the meaning of terms prior to relying on external evidence. It is therefore Appellants' contention that by not operating within the well defined guidelines of the Federal Circuit, the Board erred by failing to consult the intrinsic record, and in so doing made no attempt to identify lexicographically defined definitions for these terms.

Appellants further contend that by electing to go outside of the intrinsic record to define the terms according to dictionary definitions selected by the Board, the selected dictionary definitions were inconsistent with Appellants' use of these terms, as defined by the intrinsic record. That is, by choosing to construe the terms "account" and "funds" according to the extrinsic dictionary definitions chosen by the Board, the definitions were inconsistent and in direct conflict with the meaning of these terms within the context of Appellants' specification.

Third, the Appellants' contend that the Board misapprehended the teachings of Bogosian et al. in conjunction with Hambrecht et al., and erroneously concluded that Hambrecht et al. teaches the extension of credit or loaning of funds on margin to accomplish settlement of new issue equity securities. Hambrecht et al. teaches settlement of the new issue equity securities by "the clearing agent in accordance with the usual and customary procedures for settlement in accordance with Rule 15C61." Under the Federal statutes and rules establishing these "usual and customary procedures," the loaning of funds on margin is a violation of law, and thus, the extension or maintenance of credit (i.e., loaning of funds on margin) to a customer for the purpose of the purchase and settlement of new issue equity securities within 30 days of the underwriting transaction is a violation of law. Therefore, it is not obvious from the Hambrecht et al. teachings (or proper to read into Hambrecht et al.) the loaning of funds on margin as found by the Board.

II. Improper Reliance by the Board on External Definitions for Claim Terms

A. Federal Circuit Case Law Precedent and MPEP Recitations

1. MPEP §2111.01: Words of a Claim Must be Given their "Plain Meaning" Unless Such Meaning is Inconsistent with the Specification.

Although claims of issued patents are interpreted in light of the specification, prosecution history, prior art and other claims, this is not the mode of claim interpretation to be applied during examination. During examination, the claims are given their broadest reasonable construction ***consistent with the specification***. *In re American Academy of Science Tech Center*, 367 F.3d 1359, 1369, 70 USPQ2d 1827, 1834 (Fed. Cir. 2004). This means that the words of the claim must be given their plain meaning ***unless the plain meaning is inconsistent with the specification***. *In re Zletz*, 893 F.2d 319, 321, 13 USPQ2d 1320, 1322 (Fed. Cir. 1989); *Chef America, Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1372, 69 USPQ2d 1857 (Fed. Cir. 2004). **During patent examination, the pending claims must be given the broadest reasonable interpretation consistent with the specification.** *In re Morris*, 127 F.3d 1048, 1054, 44 USPQ2d 1023, 1027 (Fed. Cir. 1997); *In re Prater*, 415 F.2d 1393, 162 USPQ 541 (CCPA 1969). When the specification states the meaning that a term in the claim is intended to have, the claim is examined using that meaning, in order to achieve a complete exploration of the applicant's invention and its relation to the prior art. *In re Zletz*, 893 F.2d 319, 13 USPQ2d 1320 (Fed. Cir. 1989).

2. MPEP § 2111.01: "Plain Meaning" Refers to the Ordinary and Customary Meaning Given to the Term by those of Ordinary Skill in the Art.

"[T]he ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313, 75 USPQ2d 1321, 1326 (Fed. Cir. 2005) (en banc). *Sunrace Roots Enter. Co. v. SRAM Corp.*, 336 F.3d 1298, 1302, 67 USPQ2d 1438, 1441 (Fed. Cir. 2003); *Brookhill-Wilk 1, LLC v. Intuitive Surgical, Inc.*, 334 F.3d 1294, 1298 67 USPQ2d 1132, 1136 (Fed. Cir. 2003) ("In the absence of an express intent to impart a novel meaning to the claim terms, the words are presumed to take on the ordinary and customary meanings attributed to them by those of ordinary skill in the art."). It is the use of the words in the context of the written description and customarily by those skilled in the relevant art that accurately reflects both the "ordinary" and the "customary" meaning of the

terms in the claims. *Ferguson Beauregard/Logic Controls v. Mega Systems*, 350 F.3d 1327, 1338, 69 USPQ2d 1001, 1009 (Fed. Cir. 2003) ***(In construing claim terms, the general meanings gleaned from reference sources, such as dictionaries, must always be compared against the use of the terms in context, and the intrinsic record must always be consulted to identify which of the different possible dictionary meanings is most consistent with the use of the words by the inventor.);*** and *ACTV, Inc. v. The Walt Disney Company*, 346 F.3d 1082, 1092, 68 USPQ2d 1516, 1524 (Fed. Cir. 2003) ***(The term should be given its broadest reasonable interpretation consistent with the intrinsic record.)***.

The ordinary and customary meaning of a term may be evidenced by a variety of sources, including "the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art." *Phillips v. AWH Corp.*, 415 F.3d at 1314, 75 USPQ2d at 1327. ***If extrinsic reference sources, such as dictionaries, evidence more than one definition for the term, the intrinsic record must be consulted to identify which of the different possible definitions is most consistent with applicant's use of the terms.*** *Brookhill-Wilk 1*, 334 F.3d at 1300, 67 USPQ2d at 1137; see also *Renishaw PLC v. Marposs Societa" per Azioni*, 158 F.3d 1243, 1250, 48 USPQ2d 1117, 1122 (Fed. Cir. 1998) ***("Where there are several common meanings for a claim term, the patent disclosure serves to point away from the improper meanings and toward the proper meanings.")***, and *Vitronics Corp. v. Conceptronic Inc.*, 90 F.3d 1576, 1583, 39 USPQ2d 1573, 1577 (Fed. Cir. 1996). If more than one extrinsic definition is consistent with the use of the words in the intrinsic record, the claim terms may be construed to encompass all consistent meanings. See e.g., *Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1342, 60 USPQ2d 1851, 1854 (Fed. Cir. 2001) (explaining the court's analytical process for determining the meaning of disputed claim terms) (Emphasis added); *Toro Co. v. White Consol. Indus., Inc.*, 199 F.3d 1295, 1299, 53 USPQ2d 1065, 1067 (Fed. Cir. 1999) ("[W]ords in patent claims are given their ordinary meaning in the usage of the field of the invention, unless the text of the patent makes clear that a word was used with a special meaning.").

3. MPEP §2111.01: Applicant May be Own Lexicographer.

An applicant is entitled to be his or her own lexicographer and may rebut the presumption that claim terms are to be given their ordinary and customary meaning by clearly setting forth a definition of the term that is different from its ordinary and customary meaning(s). See *In re Paulsen*, 30 F.3d 1475, 1480, 31 USPQ2d 1671, 1674 (Fed. Cir. 1994) (inventor may define specific terms used to describe invention, but must do so "with reasonable clarity, deliberateness, and precision" and, if done, must "'set out his uncommon definition in some manner within the patent disclosure' so as to give one of ordinary skill in the art notice of the change" in meaning) (quoting *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384, 1387-88, 21 USPQ2d 1383, 1386 (Fed. Cir. 1992)). Where an explicit definition is provided by the applicant for a term, that definition will control interpretation of the term as it is used in the claim. *Toro Co. v. White Consolidated Industries Inc.*, 199 F.3d 1295, 1301, 53 USPQ2d 1065, 1069 (Fed. Cir. 1999) ***("...meaning of words used in a claim is not construed in a "lexicographic vacuum, but in the context of the specification and drawings")***.

Any special meaning assigned to a term "must be sufficiently clear in the specification that any departure from common usage would be so understood by a person of experience in the field of the invention." *Multiform Desiccants Inc. v. Medzam Ltd.*, 133 F.3d 1473, 1477, 45 USPQ2d 1429, 1432 (Fed. Cir. 1998). See also *Process Control Corp. v. HydReclaim Corp.*, 190 F.3d 1350, 1357, 52 USPQ2d 1029, 1033 (Fed. Cir. 1999) and MPEP § 2173.05(a). The specification should also be relied on for more than just explicit lexicography or clear disavowal of claim scope to determine the meaning of a claim term when applicant acts as his or her own lexicographer; ***the meaning of a particular claim term may be defined by implication, that is, according to the usage of the term in the context in the specification.*** See *Phillips v. AWH Corp.*, 415 F.3d 1303, 75 USPQ2d 1321 (Fed. Cir. 2005) (*en banc*); and *Vitronics Corp. v. Conceptronic Inc.*, 90 F.3d 1576, 1583, 39 USPQ2d 1573, 1577 (Fed. Cir. 1996).

B. Analysis of the Board's Claim Construction

1. Incorrect Definition of "Account" Used by the Board in Maintaining the Examiner's Rejection (Relates to Claims 1, 14, 21, 24, 28 and 30).

a. The Board erred in construing the term "account" without consulting the intrinsic record and further erred by choosing a definition inconsistent with the intrinsic record.

Even though the specification does not explicitly state "an account is *defined* herein as an account configured for storing funds therein," the Federal Circuit has stated numerous times "the meaning of a particular claim term may be defined by implication, that is, according to the usage of the term in the context in the specification." See, e.g., *Phillips v. AWH Corp.*, 415 F.3d 1303, 75 USPQ2d 1321 (Fed. Cir. 2005) (*en banc*). Not only did Appellants clearly and unambiguously define the term "account" in the teachings of the specification (and the recitations of all the independent claims, namely, Claims 1, 14, 21, 24, 28 and 30) as an account configured for storing funds therein and not information relating to sources for obtaining money. The terms "electronic auction payment account," "payment account," and "account" are defined in the present specification and in Claims 1, 14, 21, 24, 28 and 30 as "being configured for storing funds therein." Support for these claim recitations is found at page 12, lines 14-18 of Appellants' specification which states the following:

> Each **electronic auction payment account is configured for storing funds** (similar to a bank account) which can be used to effect payment, and **not information relating to sources which can be used to initiate payment, such as a [sic] credit card information**. Further, each electronic auction payment account is configured for the system 110 to loan funds to, in case there are insufficient funds therein, to effect payment, as described below. (Emphasis added) (Page 12, lines 14-18)

The definition of the term "account" construed by the Board and relied upon by the Board in interpreting the claims and rendering its decision is in direct conflict and inconsistent with this definition and description provided for "payment account" in Appellants' specification. It is also in direct conflict and inconsistent with usage of the terms "electronic auction payment account," "payment account," and "account" within the context of the specification, including the recitation of these terms by Claims 1, 14, 21, 24, 28 and 30.

In particular, the above-referenced section of Appellants' specification states that "Each electronic auction payment account is configured for storing funds" and **NOT** information relating to a source which can be used to initiate payment, such as credit card information. Moreover, Claim 1 recites "each of said plurality of electronic auction payment accounts configured for storing funds therein"; Claims 14 and 21 recite "where the plurality of electronic auction payment accounts are configured for storing funds therein"; Claim 24 recites "said payment account corresponding to the user of the electronic auction web site and configured for storing funds therein"; and Claims 28 and 30 recite "said plurality of accounts being configured for storing funds therein." These claim recitations are in direct agreement with the definition provided by the specification and conform to the use of the term "payment account" throughout the context of the specification.

However, at page 16, lines 14-19 of the Board's decision with respect to Appellants' independent Claim 21, the Board, in direct conflict with the intrinsic record, i.e., the definition and teachings of the specification with respect to the term "payment account" (as reiterated above), states:

> By the terms of element of claim 21, the payment accounts must be maintained by the auction system and be capable of storing funds and being used for transactions. Those customers who sign up for using Amazon 1-click have payment accounts so maintained (FF 16). **Storing a credit card number inherently stores funds as construed *supra*, a source of supply of money or other financial resource, and thus is capable of storing funds.**" (Emphasis added)

This statement by the Board is in direct conflict and inconsistent with the definition of the term "payment account" provided in Appellants' specification at page 12, lines 14-18 cited above. Appellant's specification clearly does not provide that credit card information is a source for storing funds, as suggested by the Board, but rather, explicitly describes the use of credit card information in the specification as a source (among other various sources) for obtaining funds and then storing the obtained funds in the electronic auction payment account. (see, e.g., page 14, lines 3-12 and FIG. 4A of Appellants' specification) Therefore, credit card information, according to the teachings of the specification, is **NOT** equivalent to an "account" configured for storing funds (i.e., "electronic auction payment account", "payment account", and "account" as used throughout the specification). Moreover, as the Board has acknowledged in their Decision on Appeal, the

prior art reference relied upon by the Examiner, Bogosian et al., only discusses credit card number of buyer and bank account of the seller. Bogosian et al. never describes an intermediate account of the buyer, such as the electronic auction payment account configured for storing funds as defined in Appellants' specification. The Board's statement *"an account is a record of a customer having a business or credit relationship...Storing a credit card number inherently stores funds as construed supra, a source of supply of money or other financial resource, and thus is capable of storing funds,"* is clearly inconsistent with the teachings in Appellants' specification.

Further, the specification states that if the payment account has no funds or insufficient funds, then system funds are loaned to the user for effecting payment. (See page 16, line 21 to page 17, line 4) This implies that the payment account is configured for storing funds therein and may at times have no funds or insufficient funds therein. Therefore, by implication, the "payment account" cannot be reasonably construed or interpreted as an account which stores information, such as credit card information as the Board construes. By implication, the only reasonable interpretation of the term "account," which may at times have no funds or insufficient funds therein, is an entity that can actually store funds, i.e., actual money or cash which are deducted or withdrawn to effect payment causing the payment account to have no funds or insufficient funds.

Furthermore, the Board's statement "*Storing a credit card number **inherently** stores funds as construed supra, a source of supply of money or other financial resource, and thus is capable of storing funds*" is in error. It is well known that in order for something to be inherent it must be absolutely certain and not a mere possibility. *In re Oelrich*, (CCPA 1981) 666 F.2d 578, 212 USPQ 323; Ex parte Keith et al. (POBA 1966) 154 USPQ 320. As was stated in the CCPA decision Hansgirg v. Kimmer (CCPA 1939) 102 F.2d 212, 40 USPQ 665 more than 60 years ago:

> Inherency, however, may **not** be established by probabilities or possibilities. The mere fact that a certain thing **may** result from a given set of circumstances is **not** sufficient. (Emphasis added)

Since it is unknown whether the credit card, for instance, has already been charged to its maximum limit or was cancelled, it cannot follow that the credit card information is sufficient to provide the "storing of funds". The credit card number and account information is not absolute. Therefore, having a number of a credit card attached to a name is **NOT** sufficient to meet the

definition of an "electronic auction payment account," "payment account," and "account" as provided throughout the specification and claims.

Additionally, the Board's assertion that *"an account is a record of a customer having a business or credit relationship" and that "a payment account is such a record that is used to record payments by a customer"* (page 16, lines 11-14 of the Board's decision) is not sufficient to define "account" consistent with its usage as defined in the specification. In fact, according to the teachings of the specification, the database of electronic auction payment accounts stores a plurality of electronic auction payment accounts each configured for storing funds for use in network transactions. There is no disclosure or suggestion that the payment account as described by the specification is a record of a customer having business or credit relationship and is such a record that is used to record payments by a customer as construed and inferred by the Board.

For at least these reasons alone, reconsideration and withdrawal of the rejections with respect to Claims 1, 14, 21, 24, 28 and 30 and their respective dependent claims, and allowance thereof are respectfully requested.

2. Incorrect Definition of "Funds" Used by the Board in Maintaining the Examiner's Rejection (Relates to Claims 1, 14, 21, 24, 28 and 30).

a. <u>The Board erred in construing the term "funds" without consulting the intrinsic record and further erred by choosing a definition inconsistent with the intrinsic record.</u>

The term "funds" is used over 100 times throughout the specification and claims in the context of describing Appellants' invention. The term "funds" is primarily preceded or followed by the following verbs in the specification and in independent Claims 1, 14, 21, 24, 28 and 30: adding, allocated, debited, deduct, deducted, deducting, deposit, deposited, invest, loan, non-withheld, obtained, retained, storing, transfer, transferred, transferring, used, wire, withdrawing, withdraws and withheld. These verbs clearly convey that the term "funds" as used in the specification and the claims means available money or ready cash.

The Board construed the term "funds" to mean a source of supply of money or other financial resource (see page 16, lines 18-19 of the Board's decision). Applying this definition in the context of the specification, is meaningless with respect to the verbs preceding and following the term "funds" throughout the specification. For example, the specification provides no concrete

meaning if the term "funds" is replaced in Appellants' specification with *"a source of supply of money or other financial resource."* If it is replaced as such, one would obtain the following meaningless statement which provides for a money supply source being debited from one's account and credited to someone else's account: "The source of supply of money or other financial resource [instead of funds] debited from the winning bidder's electronic auction payment account and credited to the seller's electronic auction payment account in real-time by the computerized electronic auction payment system 110 are preferably equal to the final auction price plus any shipping and handling fees, and taxes." See page 17, lines 12-15. However, the same passage in Appellants' specification reads correctly and has meaning if the term "available money or ready cash" is used to replace the term "funds": "The available money or ready cash [instead of funds] debited from the winning bidder's electronic auction payment account and credited to the seller's electronic auction payment account in real-time by the computerized electronic auction payment system 110 are preferably equal to the final auction price plus any shipping and handling fees, and taxes."

Appellants' specification, as another example for showing the correct meaning of funds, states on page 24, lines 3-18 the following: "Investment fields 422 are also provided by the payment registration page 400 of the payment segment for the user 102 to indicate how he wants his funds within his electronic auction payment account invested, e.g., a money market fund, a mutual fund account, etc. The funds can be invested by transferring the funds, upon instructions from the web server 116, to the external financial system 122, which could be, for example, an investment brokerage firm's system. If none of the investment fields 422 are selected by the user 102, the computerized electronic auction payment system 110 does not invest the user's funds."

Available money or ready cash is one of the definitions for the term "funds" identified by the Board but not elected. The Board erred, however, in not electing to choose this appropriate definition for the term "funds" and instead elected to define the term "funds" to mean "a source of supply of money or other financial resource" (see page 16, lines 18-19 of the Board's decision). The Board erred by relying exclusively on extrinsic evidence and compounded its error by choosing a definition not consistent with the intrinsic record. The Board's findings identified a definition consistent with the specification, namely, available money or ready cash (see page 4, line 13 of the Board's decision); however, the Board chose not to use this definition in

contravention of the guidance provided by the Federal Circuit. **"Where there are several common meanings for a claim term, the patent disclosure serves to point away from the improper meanings and toward the proper meanings."** *Renishaw PLC v. Marposs Societa" per Azioni*, 158 F.3d 1243, 1250, 48 USPQ2d 1117, 1122 (Fed. Cir. 1998), see also *ACTV, Inc. v. The Walt Disney Company*, 346 F.3d 1082, 1092, 68 USPQ2d 1516, 1524 (Fed. Cir. 2003).

If the Board had consulted the intrinsic record as required by the Federal Circuit, the Board would have unquestionably elected the third identified definition for the term "funds" or "funds—available money; ready cash." This is evident according to the verbs used throughout the specification which precede and follow the term "funds" as stated above. The following portion of Appellants' specification provides additional support for Appellants' position that the Board misconstrued the meaning of the term "funds" by not consulting the intrinsic record (page 6, lines 7-16):

> The prospective bidders **provide funds to their electronic auction payment accounts** maintained by the computerized electronic auction payment system, prior to being deemed as winning bidders, **via direct deposit, using a credit card, or sending a check, money order, or other financial document to an operator of the computerized electronic auction payment system**. In one embodiment, upon being deemed as a winning bidder, the winning bidder accesses a payment page, **enters the total amount of funds to be transferred to the seller**, and authorizes the computerized electronic auction payment system to effect a real-time payment by **debiting his, i.e., the winning bidder's, respective electronic auction payment account and crediting the electronic auction payment account of the seller**, and/or another account specified by the seller.

According to this passage, various sources can be used as sources of funds to the electronic auction payment account. It is understood that these sources can only provide available money or ready cash after they are first drawn upon **and** have sufficient available money or ready cash to effectuate the draw.

There are many other instances throughout the specification which provide that the term "funds" as used in the specification and claims means available money or ready cash, and not a source of supply of money or some other financial resource as construed by the Board.

The specification, as another example, states the following at page 12, lines 14-18:

> Each **electronic auction payment account is configured for storing funds** (similar to a bank account) which can be used to effect payment, and **not information relating to sources which can be used to initiate payment, such as a [sic] credit card**

information. Further, each electronic auction payment account is configured for the system 110 to loan funds to, in case there are insufficient funds therein, to effect payment, as described below. (Emphasis added)

This passage further provides that "funds" stored by each electronic auction payment account refers to available money or ready cash (similar to funds stored by a bank account) and **NOT** information relating to sources which can be used to obtain money to initiate payment, such as credit card information. The definition of the term "funds" construed by the Board and relied upon by the Board in interpreting the claims and rendering its decision is inconsistent with the meaning of the term "funds" as set forth by the intrinsic record, including independent Claims 1, 14, 21, 24, 28 and 30, and several of their respective dependent claims.

Further, the Board erred by stating that a credit card number inherently has available "funds" as used in the specification (see page 16, lines 17-19 of the Board's decision).[1] Since, it is unknown whether the credit card, for instance, has already been charged to its maximum limit or was cancelled, it therefore follows that storing a credit card number as an account is not absolute; hence, a credit card number does not inherently store funds. As previously stated, in order for something to be inherent it must not be just "possible" but must be absolute and simply having a credit card number does not mean that funds (available money or ready cash) as defined consistent with the Appellants' specification are available to the "account".

For at least these reasons alone, withdrawal of the rejections with respect to Claims 1, 14, 21, 24, 28 and 30 and their respective dependent claims, and allowance thereof are respectfully requested.

C. The Board Misapprehended the Teachings of Bogosian et al. and Hambrecht et al. in Maintaining the Examiner's Rejection.

The arguments presented hereinabove relate primarily to the Board's omission in consulting the intrinsic record in properly and correctly construing key claim terms, such as "account" and "funds," which as set forth above would have supported Appellants' argument that their claimed invention is not made obvious by Bogosian et al. in view of Hambrecht et al. This argument is referred to in the Board's decision as "Appellants' second argument" (see page 16,

[1] "Storing a credit card number inherently stores funds as construed, supra.." (page 16, lines 17-18 of the Board's decision).

lines 4-10).[2] The Appellants contend that the Board misapprehended the teachings of Bogosian et al. and Hambrecht et al. as described herein below.[3]

1. The Board Misapprehended the Teachings of Bogosian et al. in Maintaining the Examiner's Rejection (Relates to Claims 1 and 14).

The Board misapprehended the teachings of Bogosian et al. by agreeing with the Examiner that Bogosian et al. describes performance of element [4.a.] or debiting an electronic auction payment account corresponding to the purchaser of the at least one item and maintained by said electronic auction payment system. (see page 14, line 14 of the Board's decision) The Appellants have argued throughout the record of the present application and the related application (US Application Serial No. 09/946,616) which was concurrently decided by the Appeals Board that Bogosian et al. does not disclose or suggest debiting an electronic auction payment account configured for storing funds therein in order to effect payment. Bogosian et al., according to Appellants' Appeal Brief at page 39, last full paragraph, teaches a **credit card payment methodology** for effecting payment for a user or winning bidder for an item won via an electronic auction sale or purchased via an electronic fixed-price sale. This paragraph, as well as other instances in the present application and the related application, set forth Appellants contention that Bogosian et al. teaches a credit card payment methodology (a vastly different payment methodology than Appellants' payment methodology).

Appellants' payment methodology and system as respectively set forth by Claims 1 and 14 entail debiting a payment account configured for storing funds therein (and not storing information related to sources which can be used to obtain funds, such as credit card information, as described

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[2] Appellants maintain the other arguments made to the Board regarding the patentability of Appellants' claims over the teachings of the cited references. Also, since the Board misapprehended the teachings of Bogosian et al. and Hambrecht et al., the Rehearing Board is respectfully requested to also consider the arguments presented in Appellants' Appeal Brief regarding the teachings of Bogosian et al. and Hambrecht et al., and the patentability of Appellants' claims over these teachings and withdraw the rejections.

[3] Appellants continue to maintain that Hambrecht et al. is a non-analogous prior art reference, contrary to the Board's finding. Nonetheless, Appellants are only required to bring to the Rehearing Board's attention the fact that the Board misapprehended the teachings of Hambrecht et al. Appellants, however, do herewith convey to the Rehearing Board that the Board's misapprehension of the teachings of Hambrecht et al. was relied upon by the Board in determining that Hambrecht et al. is an analogous prior art reference. See, e.g., the Board's statement on page 13, lines 8-9, "We find these incentives would have prompted the predictable variation of Hambrecht's use of credit within Bogosian." As discussed, infra herein, Hambrecht et al. does not teach or suggest the extension of credit to a qualified purchaser and/or brokers having the capacity to lend funds on margin (as the Board incorrectly asserted is taught by Hambrecht et al.). (see page 10, lines 3-5 of the Board's decision)

in sections II.B.1. and II.B.2. above). Appellants' payment methodology and system are patentably distinct from Bogosian's credit card payment methodology and system. Appellants' payment methodology and system incorporate an account configured for storing funds to be used to effect payment, and do not rely upon drawing funds from external sources (i.e., credit cards, bank accounts, etc.) as described in Bogosian et al. Accordingly, for at least these reasons alone, reconsideration and withdrawal of the rejection with respect to Claims 1 and 14 and their respective dependent claims, and allowance thereof are respectfully requested.

2. <u>The Board Misapprehended the Teachings of Bogosian et al. in Maintaining the Examiner's Rejection (Relates to Claims 21, 28 and 30).</u>

The Board describes at page 7, lines 7-17 of its Decision the Bogosian et al. payment methodology as follows:

> 16. If Bogosian's buyer has set up and enabled 1-Click settings, the credit card and shipping information are extracted automatically from such settings; otherwise, the buyer is preferably prompted to specify the information (Bogosian, col. 5, ll. 44-47).
>
> 17. Bogosian's transaction facility then charges the buyer's credit card and calculates a commission to be retained by the web site operator. In addition, the transaction facility forwards the transaction information to the electronic fund transfer application, which deposits the purchase price amount (minus the commission) into the seller's bank checking account. Finally, the transaction facility instructs the seller by email to ship the product to the buyer (Bogosian, col. 5, ll. 47-55).

The Board fails to recognize or point out that to initiate the extraction of the credit card and shipping information from the 1-Click settings, the buyer is required to perform a manual action following the conclusion of the electronic auction; hence the name, 1-Click.

In the contrary, Appellants' Claim 21 does not require the winning bidder to perform a manual action following the conclusion of the electronic auction. Claim 21 recites the following:

> a computing device including application software for maintaining the plurality of electronic auction payment accounts and for automatically effecting payment to the seller by accessing the database and debiting the electronic auction payment account corresponding to the winning bidder of the at least one item and crediting at least one account corresponding to the seller **without any intervention by the winning bidder following the conclusion of the electronic auction**, wherein said payment system maintains the database containing the plurality of electronic auction payment accounts and a payment segment of the electronic auction web site. (Emphasis added)

If the Rehearing Board so advises, the Appellants can submit an affidavit from an expert in the field attesting to how the 1-Click payment methodology, as described by Bogosian et al. and U.S. Patent No. 5,960,411, which is incorporated into Bogosian et al. by reference, requires a manual action by the winning bidder following the conclusion of an online or electronic auction in order to effect payment to the seller.

The Examiner found, and the Board agreed, that the teachings of Bogosian et al. alone are sufficient to support a prima facie case of anticipation or obviousness. (see page 13, lines 17-18) However, as explained above in this section with respect to Claim 21, the teachings of Bogosian et al. alone do not anticipate or make obvious Appellants' Claim 21 recitations. Therefore, if the Rehearing Board looks to Hambrecht et al. to cure the deficiencies of Bogosian et al. (even though the Examiner and the Appeals Board did not look to Hambrecht et al. with respect to Appellants' Claims 21, 28 and 30, see page 13, lines 10-18), it is respectfully submitted that Appellants maintain their arguments in that Hambrecht et al. does not cure the deficiencies of Bogosian et al.

In particular with respect to Claim 21, and dependent Claims 29 and 31 which depend from independent Claims 28 and 30, Hambrecht et al., as discussed in Appellants' Appeal Brief, does not disclose or suggest that payment is effected automatically "**without any intervention by the winning bidder following the conclusion of the electronic auction.**" (see Appeal Brief, page 27, last full paragraph)

Additionally, with respect to Claim 28, neither Bogosian et al. nor Hambrecht et al., as discussed in Appellants' Appeal Brief, disclose or suggest "a computing device including application software...for **periodically** effecting payment for the at least one of the plurality of online auction registered users **by debiting an account of the plurality of accounts and crediting at least one account.**" Further, with respect to Claim 30, neither Bogosian et al. nor Hambrecht et al., as discussed in Appellants' Appeal Brief, disclose or suggest "a computing device including application software...for **automatically** effecting payment for the at least one of the plurality of online auction registered users **by debiting an account of the plurality of accounts and crediting at least one account.**"

In conclusion, all 1-Click alternatives described by Bogosian et al. in the context of an online or electronic auction require a single mouse click or other single action following the conclusion of the electronic auction to effect payment. Therefore, the teachings of Bogosian et al.

do not make obvious or anticipate Appellants' payment system which as described by Appellants' specification and by Appellants' Claim 21 requires no action or intervention by the winning bidder following the conclusion of the electronic auction. Further, Hambrecht et al. does not cure the deficiencies of Bogosian et al. with respect to Claims 21, 28 and 30. Accordingly, for at least these reasons alone, reconsideration and withdrawal of the rejection with respect to Claims 21, 28 and 30 and their respective dependent claims, and allowance thereof are respectfully requested.

3. The Board Misapprehended the Teachings of Hambrecht et al. in Maintaining the Examiner's Rejection (Relates to Claim 24).

The Board's decision relies upon Hambrecht et al. in rejecting Claim 24 and its dependent claims. It is respectfully submitted that the Board misapprehended the teachings of Hambrecht et al. and erroneously concluded that Hambrecht et al. teaches extending credit or loaning funds on margin by a broker to enable the purchase of new issue equity securities.[4]

The Board states the following on page 17, lines 18-25:

> Hambrecht's users who are able to access credit if needed may rely on a broker to ensure there are adequate funds. Hambrecht performs a test to see whether there are sufficient funds (FF 24). The broker may loan funds on margin if needed (FF 25). Hambrecht's claim 36 describes permitting extension of credit to a qualified purchaser (FF 26). Thus, Hambrecht does test for sufficient funds and accepts a margin loan from a broker if needed.
>
> The Applicants have not sustained their burden of showing that the Examiner erred in rejecting claims 24-27.

Claim 36 of Hambrecht et al. recites in part:

> at least one other of the one or more qualified potential purchasers comprises a qualified non-institutional investor, further comprising:
>
> permitting the extension of credit for a **bid only** to qualified institutional investors; and
>
> requiring qualified non-institutional investors to have funds in an account sufficient to cover a bid. (Emphasis added)

The language of claim 36 of Hambrecht et al. is quite clear. Hambrecht et al. teaches allowing qualified institutional investors to enter a bid for securities without requiring the

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[4] Hambrecht et al. is directed to pricing and sale of new issue equity securities, as stated at column 2, lines 33-37: "An Auction Pricing Mechanism in accordance with the invention is a method of price determination for capital formation that can result in substantial benefits for companies seeking to raise capital through the sale of equity into the public market."

verification of sufficient funds to ultimately settle the purchase. It does not teach that the purchase and settlement of these securities can be accomplished with a margin loan.

Subsequent to Congress passing the Securities Exchange Acts of 1933 and 1934, the Securities and Exchange Commission and the Federal Reserve are the regulatory authorities for securities transactions, including new issuance and margining of securities. These regulations were adopted and known to the securities industry long before the effective filing date of the Hambrecht et al. patent. These margin rules specifically prohibit an underwriter or its affiliates from extending credit for the purpose of settlement of a new issue equity securities purchase within 30 days of the underwriting. (Securities Exchange Act of 1934, Section 11(d)(1))[5]

Federal Regulations T (1934), U (1936), and X (1971) were adopted by the Board of Governors of the Federal Reserve System to address the extension of credit for the purchase of securities ("margin loans"). These Federal Reserve System regulations explicitly prohibit any broker-dealer who cannot extend credit himself from arranging for a third-party extension of credit by a bank or other entity. Thus, anyone of ordinary skill in the art would know and understand that the loaning of funds on margin for the purpose of settlement of a new issue equity security under Hambrecht et al. would be illegal, and hence not obvious.

Hambrecht et al. references the settlement of new issue equity securities in three places:

Column 6, lines 62-65: "Funds will be transferred from the brokerage accounts of all successful bidders to the clearing agent in accordance with the usual and customary procedures for settlement in accordance with Rule 15C61."

Column 8, lines 5-7: "In the Preferred Embodiment, clearing and settlement of executions are handled according to SEC and NASD requirements by the clearing agents."

Column 10, line 29: "Clearing agent completes auction transactions."

Hambrecht et al. does not disclose or suggest the use of loaning funds under a margin loan

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[5] Text of Securities Exchange Act of 1934, Section 11(d)(1): (d) It shall be unlawful for a member of a national securities exchange who is both a dealer and a broker, or for any person who both as a broker and a dealer transacts a business in securities through the medium of a member or otherwise, to effect through the use of any facility of a national securities exchange or of the mails or of anymeans or instrumentality of interstate commerce, or otherwise in the case of a member, (1) any transaction in connection with which, directly or indirectly, he extends or maintains or arranges for the extension or maintenance of credit to or for a customeron any security (other than an exempted security) which was a part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction..

for the settlement of the new issue equity security purchase. Further, as cited above, to one skilled in the art such a teaching would be a violation of "usual and customary procedures for settlement" and a violation of governing statutes and regulations under Federal law.

Numerous references in Hambrecht et al. point to the definition, requirements, and procedures for submitting a valid bid in the auction system:

Column 3,lines 39-42: "Any investor making a bid will indicate the number of shares such investor would be willing to purchase ("Bid Quantity") and the price per share such investor would be willing to pay ("Bid Price")."

Column 3, lines 43-46: "No bid will be considered valid until immediately available funds in an amount equal to the total dollar value of such investor's bid are deposited into an escrow account established in connection with the offering."

Column 8, lines 4: "For direct bidders, the Auction system may require a mechanism to ensure that there are sufficient funds in the account to settle the transaction."

Column 13, lines 43-52: "Moreover, it will be appreciated that for certain institutional customers, account limits may be set, for example, based upon the credit worthiness of the institutional investor. In general, retail customers must actually fund their account to at least the amount of a bid submitted for a security in order for the bid to be accepted. In other words, institutional investors may be permitted to submit bids based upon credit policies, but retail customers will have to have actual funds in their account sufficient to cover a bid in order to submit a bid for an auction of securities."

The meaning of Claim 36 of Hambrecht et al. is clear. A bid is a willingness to purchase and a willingness to pay a certain price. A margin loan, if appropriate, only takes place when the security is purchased and actually settled. Hambrecht et al. teaches that qualified institutional investors may be allowed the privilege of submitting a bid without verification of sufficient funds to actually settle the purchase. The Hambrecht reference teaches an "investor making a bid" as an action distinct from the actual settlement, or purchase, of the new issue equity security. Hambrecht et al. does not teach or suggest that the new issue equity security transaction can be completed (settled) without sufficient funds in the investor's account to accomplish settlement "under the usual and customary procedures for settlement" and applicable statutes and regulations governing settlement of new issue equity securities transactions. The concept of an "electronic

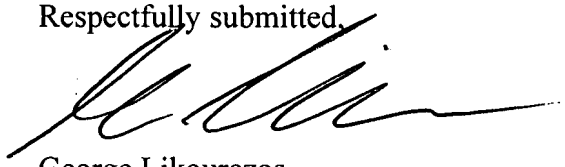
auction payment system" loaning funds to an "electronic auction payment account" to accomplish the settlement of a transaction is neither foreseen nor obvious based upon the Hambrecht et al. reference.

If the Rehearing Board so advises, Appellants can provide an affidavit by one skilled in the art of new security offerings and settlement thereof to support Appellants' arguments herein that the extension of credit or loaning funds on margin is prohibited by law and therefore not obvious and that the Board's finding that Hambrecht et al. teaches such procedures is erroneous. Accordingly, for at least these reasons alone, reconsideration and withdrawal of the rejection with respect to Claim 24 and its respective dependent claims, and allowance thereof are respectfully requested.

III. Conclusion

In view of the foregoing, Appellants respectfully request that the Request for Rehearing be granted, the issues presented above be reconsidered, and all claims in the present application be allowed.

Respectfully submitted,



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